



DEPARTMENT OF THE ARMY
U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

16 April 1997

CEPR-P (715)

MEMORANDUM FOR COMMANDERS, ALL MAJOR SUBORDINATE COMMANDS,
DISTRICT COMMANDS, FIELD OPERATING ACTIVITIES,
AND LABORATORIES; ATTN: DIRECTORS/CHIEFS OF
CONTRACTING

SUBJECT: Correction to PARC Instruction Letter

1. Reference CEPR-P Memorandum dated 18 Feb 1997, Subj: PARC Instruction Letter 96-11, USACE Inspector General (IG) Report on Funding of A-E Indefinite Delivery Contracts (IDCs).
2. Referenced PARC Instruction Letter is numbered incorrectly. The correct number should read "97-1" instead of "96-11". Please make the appropriate pen and ink change to your copy of the referenced PARC Instruction Letter.

FOR THE COMMANDER:

OTIS WILLIAMS
Colonel, Corps of Engineers
Chief of Staff



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
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ATTENTION OF:

CEPR-I (715)

18 FEB 1997

MEMORANDUM FOR COMMANDER, ALL MAJOR SUBORDINATE COMMANDS,
DISTRICT COMMANDS, FIELD OPERATING ACTIVITIES
AND LABORATORIES, ATTN: DIRECTORS/CHIEFS
CONTRACTING DIVISION

SUBJECT: PARC Instruction Letter 96-11, USACE Inspector General (IG) Report on Funding
of A-E Indefinite Delivery Contracts (IDCs)

1. References:

- a. FAR 52.217-9
- b. EFARS 16.504 (a)(1)
- c. ER 715-1-15, Time Standards for Architect-Engineer Contracts

2. A recent IG inspection found the following with respect to the subject:

a. "Each of the nine inspected sites had their own philosophy and method for funding IDCs. Seven of the nine sites depended upon a commitment of USACE overhead funds prior to making an award and obligating money to cover the stated minimum. The eighth site discounted the requirement for funding the minimum even though they had incorporated the clause into the contract. The ninth site preferred to award the IDC concurrently with the issuance of the first funded delivery order. Most contracting offices preferred to obligate overhead funds on the face page of the basic contract after a short wait for customer monies. Those sites did not appear to deobligate the funds from the contract upon receipt of customer funding."

b. "Another funding concern relates to the exercise of the option years for the IDCs. ER 715-1-15 includes a justifiable delay to "postpone the award of an IDC after completion of negotiations to coincide with issuance of the first delivery order" with a caveat that the "award shall not be postponed more than 60 days beyond the time standards in this regulation." Some contracting activities were unsure of the impact of the provision upon the language within the "Option to Extend" clause. While the ER cite properly permits delaying the award of the basic instrument, no such delay is available to the Government under the "Option to Extend" contract clause."

CEPR-P (715)

SUBJECT: PARC Instruction Letter 96-9, USACE Inspector General (IG) Report on Funding of A-E Indefinite Delivery Contracts (IDCs)

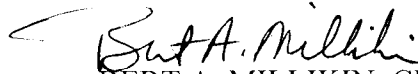
3. The following guidance is provided keyed to the IG findings:

a. The minimum guarantee for award of IDCs and option periods shall be funded by project funds when appropriate, or by funds from the appropriate departmental overhead or revolving fund, when the contract does not support a specific customer. Award of negotiated contracts may be delayed until the first task order is funded, not to exceed 90 days from completion of negotiations. Funds used to satisfy the minimum guarantee shall be obligated at the time of contract award. Immediately upon award of task order (s) in sufficient amount (s) to satisfy the minimum obligation, the contracting officer shall deobligate the funds used to award the contract or option period. Obligations of funds for the purpose of awarding IDCs and option periods shall not be reported on DD 350 as contract awards unless the minimum guarantee is not satisfied by the end of the contract period.

b. Reference 1.a requires the Government give the Contractor a preliminary written notice of its intention to extend at least 60 days before the contract expires. The period of time in which the Government has to exercise the option will be inserted in the clause. This period will not extend beyond the completion date of the basic contract.

4. Point of contact for action is Dave Petersen. (202) 761-8647.

FOR THE COMMANDER


BERT A. MILLIKIN, CPCM
Acting Principal Assistant
Responsible for Contracting